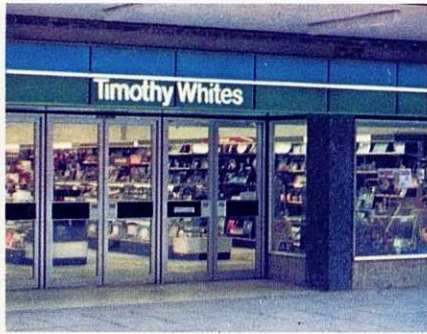


# Report and Accounts

FOR THE YEAR ENDED 31st MARCH 1970



LIBRARY OF THE  
LONDON GRADJATE SCHOOL  
OF  
BUSINESS STUDIES



BOOTS PURE DRUG COMPANY LIMITED



## THE SPREAD OF THE CHEMIST CHAIN

Black dots represent Boots branches before the acquisition of Timothy Whites and white spots the additional Boots branches opened subsequently.

At the merger there were 1,252 branches of Boots The Chemists; today the total number of branches in the chain is 1,488



## Notice of Annual Ordinary General Meeting

NOTICE IS HEREBY GIVEN that the ANNUAL ORDINARY GENERAL MEETING of Boots Pure Drug Company Limited will be held at Boots Works Canteen, Beeston, on Thursday, the 16th day of July, 1970, at 12 o'clock noon.

The business of the meeting will be:

- (a) To receive the Directors' Report and Statement of Accounts and the Auditors' Report thereon.
- (b) To declare a dividend.
- (c) To elect Directors.
- (d) To fix the remuneration of the Auditors.
- (e) To transact any other business which may be dealt with at the Annual General Meeting.

### NOTES

1. Any member entitled to attend and vote at the above-mentioned meeting is entitled to appoint one or more proxies (who need not be members) to attend and vote in his stead. A proxy card is enclosed with this report and accounts.
2. In accordance with the general undertaking which the Company has given to The Federation of Stock Exchanges, a statement of transactions of Directors (and of their family interests) in the ordinary shares of the Company will be available for inspection at the registered office of the Company, 1 Thane Road West, Nottingham, on any weekday (Saturdays excluded) from the 18th June to 16th July 1970, during usual business hours, and at Boots Works Canteen, Beeston on 16th July 1970 from 11.45 a.m. until the conclusion of the meeting.
3. No director of the Company has a contract of service.

By Order of the Board,  
H. T. MILNES,  
Secretary.

Dated this 18th day of June, 1970.

## Dates and Facts to note

### Dividend and Interest Payments

Ordinary dividends	Interim	<i>Announced early November. Paid early January.</i>
	Final	<i>Proposed late May. Paid late July.</i>
6% Loan stock interest		<i>Paid end June, September, December and March.</i>
7½% Loan stock interest		<i>Paid end September and March.</i>
Timothy Whites & Taylors Ltd.—		
6¼% Loan stock interest		<i>Paid beginning September and March.</i>
8% Loan stock interest		<i>Paid beginning August and February.</i>

### Results

First half-year results	<i>Announced early November.</i>
Results for the year	<i>Announced late May.</i>
Report and Accounts	<i>Circulated late June.</i>

For Capital Gains tax purposes the market value of Boots Ordinary shares on 6th April, 1965 was 16s. 0d. and of the 6% Loan stock 90⅜.

## Directors and Officers

Chairman	W. R. NORMAN
Managing Director	G. I. HOBDAV, Ph.D., F.R.I.C.
	D. E. M. APPLEBY
	R. C. M. DICKSON, M.P.S.
	K. H. HARPER, F.P.S.
	B. JEFFERIES
	SIR JAMES PITMAN, K.B.E.
	THE RT. HON. LORD REDMAYNE, P.C., D.S.O.
	A. D. SPENCER
	M. J. VEREY
Secretary	H. T. MILNES
Registered Office	1 THANE ROAD WEST, NOTTINGHAM, NG2 3AA
Bankers	NATIONAL WESTMINSTER BANK LTD.
Auditors	PEAT, MARWICK, MITCHELL & CO.

## Report of the Directors

for the year ended 31st March 1970

The Directors submit their eighty-second Annual Report to the Shareholders, together with the Audited Accounts for the year ended 31st March, 1970.

### **PROFITS, DIVIDENDS AND RETENTIONS**

The Consolidated Profit and Loss Account shows the profit of the Group which amounts before taxation to £20,189,000 compared with £19,126,000 for the previous year, and after taxation to £10,518,000 as against £9,978,000.

The profit after taxation attributable to Boots Pure Drug Company Limited is £10,483,000 compared with £9,650,000 for the previous year.

The Directors recommend the payment of a final dividend of 10½% to the Ordinary Shareholders, which together with the interim dividend already paid, makes a total of 17% for the year.

The remainder of the Group net profit after paying the recommended dividends will be £2,914,000 which the Directors recommend should be transferred to reserves.

Details of the profit, dividends paid and recommended, and transfers to reserves are shown in the Consolidated Profit and Loss Account.

### **GROUP ACTIVITY**

The principal activity of the Group is that of retailers of chemist and other merchandise and the manufacture and wholesale distribution of pharmaceuticals, drugs, fine chemicals and toilet preparations. Fuller details are shown on page 25.

### **EXPORTS**

Exports by the Home Group in the year amounted to £4,471,000.

### **FIXED ASSETS**

Full details of the movements of fixed assets are shown in Note 10 on pages 22 and 23.

### **GROUP EMPLOYMENT AND REMUNERATION**

The average number of persons employed weekly in the U.K. by the Group during the year was 41,000. The total remuneration paid during the year to all such employees was £32,941,000.

### **PAYMENTS FOR CHARITABLE AND POLITICAL PURPOSES**

Payments totalling £29,000 have been made by the Home Group during the year for charitable purposes.

A payment of £5,000 was made during the year to British United Industrialists.

## Report of the Directors—continued

### **THE BOARD OF DIRECTORS**

#### **Election of Directors**

Mr. K. D. Williamson retired from the Board and the office of Managing Director on 31st March, 1970.

Dr. G. I. Hobday, F.R.I.C., was appointed Managing Director on 1st April, 1970.

Mr. R. C. Gibb, O.B.E., resigned from the Board on 30th August, 1969.

Mr. R. C. M. Dickson in accordance with Article 100 retires by rotation and offers himself for re-election.

Sir James Pitman, K.B.E., in accordance with Article 109 retires and offers himself for re-election.

#### **Directors' Shareholdings and Transactions**

In order to comply with the Companies Act 1967, the names of those who were Directors during the year and the details of their interests in the Share and Loan Capital of the Company are shown on page 28, and are deemed to be part of this report.

### **AUDITORS**

The Auditors, Messrs. Peat, Marwick, Mitchell & Co., are willing to continue in office and a resolution concerning their remuneration will be proposed at the annual general meeting.

*By Order of the Board*

H. T. MILNES, Secretary.

18th June, 1970.

## Group Highlights

for the year ended 31st March 1970

		<i>Percentage increase over previous year</i>
Sales in the United Kingdom	£214.4 million	5.2%
Exports from the United Kingdom	£4.5 million	17.5%
Sales by Overseas Companies	£5.6 million	8.9%
<hr/>		
Profit before taxation	£20.2 million	5.6%
Profit after taxation, attributable to Boots shareholders	£10.5 million	
equivalent to	14.2d per share	
Dividends to shareholders	£7.6 million	
equivalent to	10.2d per share	
Retained in the business	£2.9 million	
<hr/>		
Capital employed	£109.9 million	
on which the profit (before interest and taxation) represents a return of	19.2%	
Capital expenditure during the year	£8.3 million	

*For further details see The Ten Year Record on pages 26 and 27.*



Examples of retail modernisation and expansion seen during the year :

Top, left to right: Poole — a new shopping precinct; Ipswich — a Timothy Whites shop converted to Boots; Morecambe — another Timothy White conversion.

Centre left: A large new Timothy Whites Houseware branch has been opened in Basingstoke.

Centre right: the largest shop completed during the year was Boots at Sutton, Surrey — 15,300 square feet of selling area, all on one floor.

Lower left and centre: Timothy Whites houseware merchandise at Basingstoke : Right: new premises at Reigate



## Statement by the Chairman Mr. Willoughby R. Norman

### Trading Year

The year has been somewhat disappointing as we had hoped for better things. The cumulative effect of several adverse factors made for dullness in consumer markets generally which progressively became more apparent as the year unfolded and, taking the retail field as a whole this year was one of near stagnation. It is true that national retail turnover increased by about 5% but the volume increase was virtually nil. The 10% increase in Purchase Tax in November 1968 and the further increase of nearly 30% in S.E.T. aggravated matters further and hit consumers' pockets in 1969 so that the majority of traders did not enjoy a good Christmas.

Sales of our enlarged Group amounted to £224 million, an increase of 5½% over the combined sales of Boots and Timothy Whites in the previous financial year. During the year we closed nearly 100 of the very small Timothy Whites pharmacies which reduced sales volume but will improve future profitability. Likewise we have rationalised our retail representation in many High Streets by consolidating the Chemist representation in one branch thereby liberating the other—either the original Timothy Whites branch or alternatively the Boots branch—for our new Houseware venture. There was naturally a considerable loss of volume during this upheaval since in many places one or other branch was out of action for some weeks with resultant loss of sales. This policy of speed had adverse effects upon short term progress but will be justified long term. In the autumn we suffered a transport strike which seriously hampered sales in the busy weeks leading up to and including Christmas.

Altogether it was a year of upheaval, endeavour and disappointment. But much of our reorganisation is now behind us, we have a record increase in sales area coming into use, an encouraging start has been made to the new Houseware venture, and our wholesale and overseas business is expanding fast. The promise of more consumer spending power, in spite of rapidly increasing prices to absorb it, is also an important factor, and for all these reasons we look forward to better things in the current year.

### Profits and Taxation

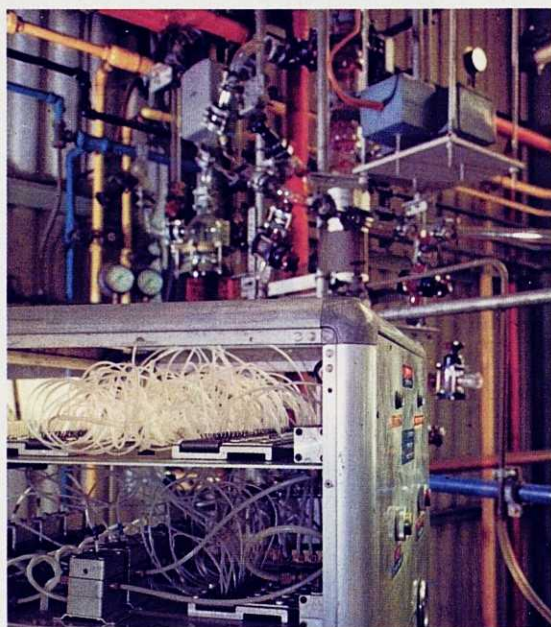
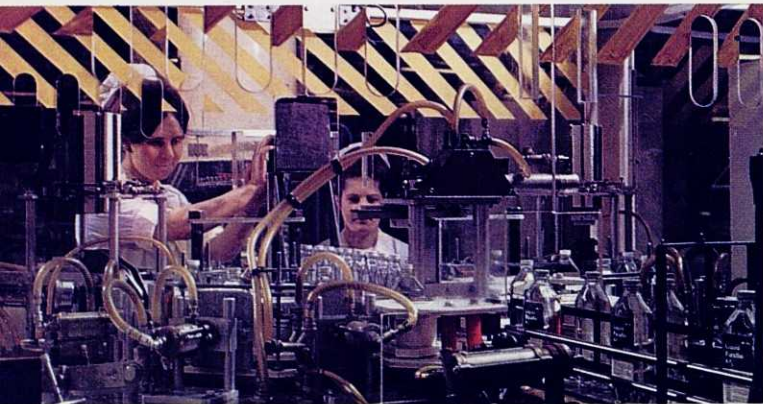
Profit before tax on our world sales of £224 million, came out at £20,189,000 an increase of £1,063,000 over the previous year. This is an increase of just over 5½% compared with a sales increase of just under 5½% so it will be seen that profit performance matched sales. Taxation claimed £9,671,000 leaving a profit after tax of £10,518,000.

This year we are free from the dividend restraint which has served no useful purpose for the economy and has meant that the reward of the shareholder for his investment has been static in real terms since 1968, as the permitted increase of 3½% per annum was less than the fall in the purchasing power of money. We paid an interim dividend of 6½% in January last and the directors now recommend a final of 10½% to make a total of 17% compared with the total of 14·999% last year. Expressed in monetary terms this is 10·2d. per share compared with 9d.

Other salient figures are highlighted on page 5 and page 26 gives detailed figures over the last ten years.

### Retailing

We are now operating two separate retail chains, each with its own management and methods. The inventory too is distinct though there is, and always will be, some overlap. The chemist chain under the Boots name had at March 31st last 1,503 branches. The other chain is of course the Timothy Whites Houseware business numbering at the same date 193 shops. Our objective during the past year has been the incorporation of all the Timothy Whites properties which appeared to have a future in the Group, either as additional branches to the Boots chain or to supplement the original chain of 132 Timothy Whites Houseware branches.



Top left: This new fast bottle filling line has been installed for liquid medical products during the past year.

Above: A view of the new warehouse covering some six acres, being built on the Headquarters site. It will come into operation in the latter half of the year and will be used for factored goods.

Top right: Tablet packing line showing flow regulating turntable and high speed labelling.

Lower right: An application of the science of fluidics in the programming and control of a manufacturing process.

## Statement by the Chairman—continued

On the inside front cover there is a map showing the Boots chain at the present time. During 1969/70 approximately 300 Timothy Whites branches had been added representing 270,000 sq. ft. of additional sales space. With the 130,000 sq. ft. gain from the Boots own major works programme this represents a sales area increase in the chemist field of approximately 400,000 sq. ft., and brings the total sales area of the Boots chain to 2.6 million sq. ft. A major contribution was made by the opening of 50 new branches, the more important of which were at Worcester, Sutton, Dundee, Bromsgrove and West Hartlepool. In addition we moved into large formerly Timothy Whites premises at such places as Southampton, Blackpool, Basildon and Ipswich.

The Boots development programme for 1970/71 should result in a further increase of 180,000 sq. ft. of sales space. As in former years this will be achieved by rebuilding a number of freehold sites, *e.g.*, at Leicester, Rugby and Colchester, and from developing new sites, *e.g.*, at Walsall, Hemel Hempstead, Grimsby and High Wycombe. In addition to these larger components of our major works programme, we intend to modernise the most deserving of the former Timothy Whites chemist shops, converted under the Boots name last year at very minimum cost, to improve the group image and maximise the sales space involved.

We believe that upwards of 80% of all housewives buy something from us and more than 25% visit a Boots branch once or twice per week.

The Timothy Whites Houseware chain, as I reported last year, comprised 132 shops to which a further 78 have now been added—a mixture of former Timothy Whites and vacated Boots properties. There have been a number of closures as a result of rationalisation between the two chains and there are now 193 Timothy Whites shops representing a total sales area of 350,000 sq. ft. A new branch fascia in turquoise and olive green has been adopted and the new houseware inventory established. If this chain is as successful as we believe, we shall expand it nation-wide as quickly as suitable properties can be acquired. For 1970/71 the already agreed programme will add another 40 shops and we hope for a further 20 representations in new places. Although in its early days the sales performance of the new chain so far has been most encouraging.

## Research and Manufacture

Last year I referred to the anti-rheumatic drug Brufen discovered and developed in our own laboratories. It is the only anti-rheumatic agent evolved entirely by British research and during the past year it has become firmly established both in hospital and general practice, not only because of its clinical activity but also because of its remarkable freedom from the side-effects sometimes associated with other anti-rheumatic drugs. Since its introduction little more than a year ago £1.3 million of sales have been made and it is now becoming available in 34 countries. Within the current year we hope that permission will have been obtained to sell it in a further 33 countries.

A number of other promising research compounds are being investigated and during the coming year we shall be expanding our medical research programme, particularly in the area of rheumatic and cardiovascular diseases.

The Research and Development programme on agriculture and animal husbandry also continues. Several encouraging leads are being followed up and we believe that our herbicide Benazolin may find important new markets overseas. Our new agricultural research unit in Australia is proving very useful for the testing of potential new pesticides against the problems and diseases of sub-tropical crops.



New packs of merchandise for the gardening market, additions to the cosmetic range, and own brand hot drinks are among the large number of lines introduced during the year.

The process of updating our equipment and increasing the capacity of the Pharmaceutical factories at Beeston and Airdrie has proceeded fast and production of own brands increased by some 19%. Development of new products and the updating of existing ones is given maximum emphasis and 162 new packs or new lines were introduced during the year. The most significant increases during the year were in the range of cosmetics and toiletries. The Chemical factories also had a busy year in all sections but particularly in meeting the Brufen demand.

Wholesale sales of goods of our own manufacture to third parties increased by 20% to £5.4 million, including an increase of 64% in medical products. Retail products available nationally, that is not restricted to Boots outlets, increased by 73% but from a much smaller base.

### Overseas

Sales by our overseas companies increased by 8.9% to a record £5.6 million. Both India and Australia showed a marked improvement, these two companies accounting for over 60% of overseas turnover and more of profit. Return on capital employed overseas has increased from 13% to 18%. We have recently purchased Kenya Overseas Company Limited which trades in Kenya, Uganda and Tanzania and has a range of pharmaceutical and toiletry products on to which we plan to graft a range of Boots products. Other acquisitions are in prospect.

Direct exports from this country increased by 17.5% to £4.47 million. In the three years since the reorganisation of our marketing structure export sales have increased by 65%.

These figures show I think that our interests overseas are developing satisfactorily and we view our prospects there with optimism. They are growing fast though of course still small compared with our home retail trade.

### Central Administration

In order to streamline the Head Office administrative procedures in parallel with the operational changes of converting Timothy Whites Chemists shops to Boots, we closed the Timothy Whites Head Office at Leeds during the year and moved certain key supervisory personnel to Nottingham to ensure a smooth transfer of work. We are now implementing a phased programme of systems standardisation, the purpose of which is to establish uniform accounting procedures within shops and for the ordering and distribution of merchandise.

During the year the progressive transfer of administrative work to our computers has continued apace with the result that significant savings are being made in the costs of processing information. As the present computers are manned for twenty-four hours a day and are fully loaded we will be replacing them with equipment of greater capacity and speed. Currently we are spending nearly £750,000 per year on our computer services which extend across the spectrum of ordering and inventory control, payrolls, purchases and sales accounting, together with a miscellany of programmes for share registration, shop development and production planning. Great credit is due to the staff in our Data Processing Centre for their work during the year.

In preparation for the changeover to decimal currency in February 1971 a project team has been preparing and overseeing continuously programmes for staff training, machine conversion or replacement, merchandise pricing and coin handling. For an organisation like ours decimalisation poses very large problems.

To aid distribution a new single-storey warehouse covering 6¼ acres will be coming into service on the Beeston site in August. This will enable us to dispense with a number of scattered warehouses in Nottingham and the Timothy Whites one in Leeds.



More Boots 'exclusives' represented by these examples of household lines, toys and up-to-the-minute fashion accessories.

## People

The great majority of our staff have served us willingly and well. This year I would particularly mention our Timothy Whites people, both in the shops and at Leeds and Aldershot, who have had new methods to master and who adapted themselves to the changes and co-operated most helpfully. It gives us much satisfaction that many Timothy Whites people are in positions of importance in the new integrated group.

During the year strenuous efforts have been made to maximise individual performance and to reduce the costs of selling throughout our branches in order to combat the continued rise of branch overheads, amongst which S.E.T. continues to be a predominant factor, whilst at the same time we have been able to improve opportunity and reward to our staff for their contribution.

The company was the unfortunate victim of an inter-union dispute which resulted in a strike involving drivers and loading bay workers at our Beeston and Nottingham Warehouses in October and November. It lasted over five weeks and was particularly regrettable in view of our good relations with trade unions and the modernisation of our agreements with them over the last few years. The effect on the business was serious but would have been immeasurably worse had it not been for a truly remarkable volunteer effort by staff at all levels. They cheerfully accepted drastic changes in their working methods and participated in 'round the clock' loading and driving of vehicles in an effort to keep up the flow of raw materials into the factories and of finished goods into the shops. We assess the cost of the strike to the company as some £300,000. This takes into account the loss of sales in our branches and the increase in costs and expenses consequent upon the strike.

There have been two Board retirements during the year. At March 31st Mr. K. D. Williamson retired having reached the due age. He had served the company with great distinction for 43 years, during the last two of which he was Managing Director, and we thank him for his long and faithful service. Mr. R. C. Gibb who came to our Board from Timothy Whites at the time of the merger resigned at the end of August. He was very helpful to us in all aspects of our integration and we thank him for his services.

Dr. G. I. Hobday was appointed Managing Director as from April 1st. For the last two years he has been Deputy Managing Director and before that Research Director and he has been warmly welcomed in his new appointment.

We employ some 50,000 people in this country and 1,500 overseas. Inevitably a proportion of the younger staff leave us after a short period of service, which we regret, but apart from this people by and large tend to stay with us for all their working lives. This factor is a source of tremendous strength to Boots because of the stability and experience they give and the built-in skills which they generate, and our Profit Earning Bonus Scheme recognises this. I would accordingly like to thank on behalf of the Board, the Management and the shareholders all our 'long timers' present and future and every member of the staff who worked so loyally and well throughout the year.

## Conclusion

In these extremely inflationary times business uncertainty is widespread. The present rate of wage inflation is unlikely to be covered by productivity increases in the near future and the Government's repeated surrenders to militancy, openly in breach of its own declared policy, make industrial relations very difficult.

Nevertheless, retail sales in monetary terms are bound to be considerably higher this year even though spending in shops is at present declining as a proportion of total consumer spending. The difficulty will be to control and absorb rapidly increasing costs of every kind while maintaining standards of value and service. There are however a number of favourable factors operating for us, our house is in good order, and for the reasons given at the end of the first section of this statement we are fairly optimistic, and bombshells apart, we believe that the current year will be considerably better than the one just concluded.

# Report of the Auditors

to the Members of Boots Pure Drug Company

We have examined the annexed balance sheet, consolidated balance sheet and consolidated profit and loss account. The accounts of certain subsidiaries have been audited by other firms.

In our opinion the balance sheet and the consolidated accounts comply with the Companies Acts, 1948 and 1967, and give respectively a true and fair view of the state of the Company's affairs at 31st March, 1970 and, so far as concerns members of the Company, a true and fair view of the state of affairs and of the profit of the Group.

PEAT, MARWICK, MITCHELL & CO.

Chartered Accountants.

Birmingham and London

21st May, 1970.



# Consolidated Profit and Loss Account

for the year ended 31st March 1970

(Incorporating the results of the United Kingdom subsidiaries for the year ended 31st March 1970 and of the Overseas subsidiaries for the year ended 31st December 1969)

		1970	1969
	Notes	£000	£000
<b>Net World sales</b>		<u>223,883</u>	<u>212,170</u>
<b>Trading profit</b>	1	21,052	19,868
<i>Deduct Interest on loan capital</i>		<u>863</u>	<u>742</u>
<b>Profit before taxation</b>		20,189	19,126
<i>Deduct Taxation</i>	2	<u>9,671</u>	<u>9,148</u>
<b>Profit after taxation</b>		10,518	9,978
<i>Deduct Profit attributable to minority shareholders of subsidiary companies</i>		35	36
<i>Pre-acquisition profit</i>		—	292
		<u>35</u>	<u>328</u>
<b>Profit attributable to Boots Pure Drug Company Limited</b>	3	10,483	9,650
<b><i>Deduct Dividends paid and proposed</i></b>			
<i>Interim of 6½% already paid (1969 6½%)</i>		2,894	2,894
<i>Proposed Final of 10½% making a total of 17% (1969 total 14.999%)</i>		4,675	3,784
		<u>7,569</u>	<u>6,678</u>
<b>Profit retained in the Group and included in reserves</b>		<u>2,914</u>	<u>2,972</u>

The notes on pages 18 to 25 form part of the Accounts

# Consolidated Balance Sheet 31st March 1970

(Incorporating United Kingdom subsidiaries as at 31st March 1970 and Overseas subsidiaries as at 31st December 1969)

	Notes	1970 £000	1969 £000
<b>CAPITAL EMPLOYED</b>			
<b>Shareholders' interests</b>			
Share capital	4	44,521	44,521
Share premium account	5	3,292	3,375
Reserves	6	45,675	41,983
		<u>93,488</u>	<u>89,879</u>
<b>Loan capital</b>	7	12,541	12,634
<b>Minority interests in subsidiaries</b>		408	393
<b>Provisions</b>	8	72	1,900
<b>Deferred taxation</b>	9	3,409	3,125
		<u>109,918</u>	<u>107,931</u>
<b>EMPLOYMENT OF CAPITAL</b>			
<b>Fixed assets</b>			
Properties	10	69,569	68,216
Fittings and plant		22,351	21,553
		<u>91,920</u>	<u>89,769</u>
<b>Unquoted investments</b>	12	7	8
<b>Difference arising on consolidation</b>	11(d)	225	46
<b>Net current assets</b>			
Stock-in-trade	13	41,997	39,448
Debtors		13,128	11,562
Cash at Bankers and short term investments		3,888	3,914
		<u>59,013</u>	<u>54,924</u>
<i>Less:</i>			
Creditors		26,685	23,744
Amounts due to Bankers	14	479	607
Taxation	15	9,408	8,681
Final dividend		4,675	3,784
		<u>41,247</u>	<u>36,816</u>
		<u>17,766</u>	<u>18,108</u>
<b>W. R. NORMAN</b>		<u>109,918</u>	<u>107,931</u>
<b>G. I. HOBDAY</b>	<i>Directors</i>		

The notes on pages 18 to 25 form part of the Accounts

# Balance Sheet 31st March 1970

			1970	1969
		Notes	£000	£000
<b>CAPITAL EMPLOYED</b>				
<b>Shareholders' interests</b>				
	Share capital	4	44,521	44,521
	Share premium account	5	3,289	3,289
	Reserves	6	17,961	16,479
			<u>65,771</u>	<u>64,289</u>
<b>Loan capital</b>		7	8,187	8,187
<b>Provisions</b>		8	55	507
<b>Deferred taxation</b>		9	1,219	1,259
			<u>75,232</u>	<u>74,242</u>
<b>EMPLOYMENT OF CAPITAL</b>				
<b>Fixed assets</b>				
	Properties	10	17,033	17,511
	Fittings and plant		6,354	6,287
			<u>23,387</u>	<u>23,798</u>
<b>Subsidiary companies</b>				
	Investment, less provision	11	25,974	25,943
	Advances and current accounts		28,129	24,822
			<u>54,103</u>	<u>50,765</u>
<b>Net current assets</b>				
	Stock-in-trade	13	16,595	14,455
	Debtors		9,447	7,154
	Cash at Bankers and short term investments		2,430	2,945
			<u>28,472</u>	<u>24,554</u>
	<i>Less:</i>			
	Creditors		21,252	17,191
	Taxation	15	4,803	3,900
	Final dividend		4,675	3,784
			<u>30,730</u>	<u>24,875</u>
			(2,258)	(321)
			<u>75,232</u>	<u>74,242</u>

W. R. NORMAN  
G. I. HOBDAY | Directors

The notes on pages 18 to 25 form part of the Accounts

# Notes on the Profit and Loss Account and Balance Sheets

these form part of the accounts

## 1. Trading profit (a) Trading profit is after adding:

	1970	1969
	£000	£000
Income from unquoted investments	1	1

and after deducting:

Depreciation of properties	1,606	1,460
Depreciation of fittings and plant	2,773	2,765
	<u>4,379</u>	<u>4,225</u>
Profit Earning Bonus for staff	1,868	1,770
Bank and other short term interest	62	82
Computer and other plant hire	314	318
Remuneration of Auditors	23	24
Companies' payments to Pension Funds:		
Ordinary contributions	1,176	1,103
Payments for past service	22	134

(b) The emoluments of the Directors of Boots Pure Drug Company Limited from all companies of the group are:

	1970	1969
	£000	£000
Directors' fees	15	13
Other emoluments including contributions under approved pension schemes	198	233
Pension paid to a past Director	1	1
Payment to a past Director on the termination of his service with the Group	26	—
	<u>240</u>	<u>247</u>

Particulars of Directors' emoluments (excluding pension contributions) as required by Section 6 of the Companies Act 1967:

	1970	1969
	£000	£000
The emoluments of the Chairman were	18	18
The emoluments of the highest paid Director were	23	22

*Number of Directors*  
1970                      1969

The number of Directors receiving emoluments in the following groups were:

£22,501 to £25,000	1	—
£20,001 to £22,500	2	3
£17,501 to £20,000	2	2
£15,001 to £17,500	2	2
£12,501 to £15,000	—	1
£10,001 to £12,500	—	1
£7,501 to £10,000	1	—
£2,501 to £5,000	1	—
Under £2,500	4	3

(c) Particulars of employees other than Directors of Boots Pure Drug Company Limited whose emoluments exceeded £10,000 (excluding pension contributions):

	<i>Number of Employees</i>	
	1970	1969
£10,001 to £12,500	2	2

**2. Taxation**

The amount charged for taxation on the profit of the year consists of:

	<b>1970</b>	<i>1969</i>
	<b>£000</b>	<i>£000</i>
U.K. Corporation tax at 45% ( <i>45%</i> )	9,189	<i>8,748</i>
<i>Deduct</i> Relief for overseas taxation	112	<i>77</i>
	<u>9,077</u>	<u><i>8,671</i></u>
Transfer to provision for deferred taxation	284	<i>322</i>
	<u>9,361</u>	<u><i>8,993</i></u>
Total U.K. taxation	9,361	<i>8,993</i>
Overseas taxation	302	<i>206</i>
	<u>9,663</u>	<u><i>9,199</i></u>
Adjustment for previous years	8	<i>(51)</i>
Charge to Profit and Loss Account	<u>9,671</u>	<u><i>9,148</i></u>

**3. Profit attributable to Boots Pure Drug Company Limited**

	<b>1970</b>	<i>1969</i>
	<b>£000</b>	<i>£000</i>
Total profit attributable to members	10,483	<i>9,650</i>
<i>Deduct</i> profit retained by subsidiary companies	1,585	<i>1,353</i>
	<u>8,898</u>	<u><i>8,297</i></u>
Profit of Boots Pure Drug Company Limited	8,898	<i>8,297</i>
<i>Deduct</i> dividends paid and proposed	7,569	<i>6,678</i>
	<u>1,329</u>	<u><i>1,619</i></u>
Profit retained in Boots Pure Drug Company Limited	1,329	<i>1,619</i>

**4. Share capital**

Ordinary shares of 5/- each:

	<b>1970</b>	<i>1969</i>
	<b>£000</b>	<i>£000</i>
Authorised	50,000	<i>50,000</i>
Issued and fully paid	44,521	<i>44,521</i>

Notes on the Accounts—continued

		Boots Pure Drug	
		Group	Co. Ltd.
		£000	£000
<b>5. Share premium account</b>	At 31st March, 1969	3,375	3,289
	<i>Less</i> Bonus shares issued by an Overseas subsidiary	83	—
	At 31st March, 1970	<u>3,292</u>	<u>3,289</u>
 <b>6. Reserves</b>			
		Boots Pure Drug	
		Group	Co. Ltd.
		£000	£000
	At 31st March, 1969	41,983	16,479
	<i>Add:</i>		
	Profit of the year retained	2,914	1,329
	Surplus or (deficit) on sales of properties	24	(252)
	Adjustment relating to previous years, <i>less</i> taxation	(102)	—
	Payment for goodwill by an overseas subsidiary	(72)	—
	Pension provisions released	827	407
	Bonus shares issued by an overseas subsidiary	83	—
	Miscellaneous items	18	(2)
	At 31st March, 1970	<u>45,675</u>	<u>17,961</u>
 <b>7. Loan capital</b>	<b>BOOTS PURE DRUG COMPANY LIMITED</b>		
		<b>1970</b>	<b>1969</b>
		£000	£000
	Unsecured loans:		
	6% Loan Stock 1978/83	2,066	2,066
	7½% Loan Stock 1988/93	6,121	6,121
		<u>8,187</u>	<u>8,187</u>
	<b>SUBSIDIARIES</b>		
	Secured loans:		
	3¼% First Mortgage Debenture Stock	1,000	1,000
	4% (1946) Debenture Stock	74	95
	4⅞% Mortgage Loan	385	439
	Unsecured loans:		
	6¼% Loan Stock 1983/88	1,210	1,228
	8% Loan Stock 1986/91	1,676	1,676
	Others	9	9
		<u>12,541</u>	<u>12,634</u>

- (a) The 6% Loan Stock 1978/83 is redeemable at par.
- (b) The 7½% Loan Stock 1988/93 is redeemable at par.
- (c) The 3¼% First Mortgage Debenture Stock is redeemable on 1st December, 1982 at par.
- (d) The 4% (1946) Debenture Stock is redeemable by yearly sinking fund redemption to end at 31st December, 1975.
- (e) The 4⅞% Mortgage Loan is redeemable after 1st March, 1977 at par, on notice from the lenders.
- (f) The 6¼% Loan Stock 1983/88 is now redeemable by yearly sinking fund redemption at par.
- (g) The 8% Loan Stock 1986/91 is redeemable by yearly sinking fund redemption, commencing 1972, at £105 per cent.

## 8. Provisions

		Group		Boots Pure Drug Co. Ltd.	
		£000	£000	£000	£000
Pensions	At 31st March, 1969	1,421		507	
	Deduct: Payments to Pension Funds for past service /less taxation	539		45	
	Released to reserves	827		407	
		—	55	—	55
Reorganisation	At 31st March, 1969	479		—	
	Deduct: Amounts charged during the year /less taxation	462		—	
		—	17	—	—
	At 31st March, 1970		72		55

## 9. Deferred taxation

Deferred taxation provision represents taxation on the excess of Capital allowances (other than Investment allowances) over the comparative depreciation charged against profit.

## Notes on the Accounts—continued

### 10. Fixed assets

#### (a) Properties

Revalued properties are shown at valuation with subsequent additions at cost. Properties not revalued are at cost. Long leaseholds are those with over 50 years unexpired at the date of the Balance Sheet.

	GROUP			1970			1969		
	Cost or Valuation £000	Depreci- ation £000	Net £000	Cost or Valuation £000	Depreci- ation £000	Net £000	Cost or Valuation £000	Depreci- ation £000	Net £000
At 1st April	76,652	8,436	68,216	56,912	6,543	50,369			
Arising on acquisition of new subsidiaries	—	—	—	16,688	545	16,143			
Additions	4,177	1,606	2,571	3,278	1,437	1,841			
Disposals	(1,715)	(497)	(1,218)	(226)	(89)	(137)			
Transfers and adjustments	—	—	—	—	—	—			
At 31st March	79,114	9,545	69,569	76,652	8,436	68,216			
Comprising:									
Professional valuation 1958	10,738	2,922	7,816	11,636	2,911	8,725			
Professional valuation 1959	2,279	482	1,797	2,375	484	1,891			
Professional valuation 1965	47,187	3,223	43,964	46,923	2,513	44,410			
Properties not revalued	18,910	2,918	15,992	15,718	2,528	13,190			
	79,114	9,545	69,569	76,652	8,436	68,216			
Tenure of properties:									
Freeholds	60,941	5,833	55,108	58,857	5,038	53,819			
Long leaseholds	8,224	695	7,529	8,062	681	7,381			
Short leaseholds	9,949	3,017	6,932	9,733	2,717	7,016			
	79,114	9,545	69,569	76,652	8,436	68,216			

#### GROUP

#### (b) Fittings and Plant (net of investment grants)

	GROUP			1970			1969		
	Cost £000	Depreci- ation £000	Net £000	Cost £000	Depreci- ation £000	Net £000	Cost £000	Depreci- ation £000	Net £000
At 1st April	41,015	19,462	21,553	35,609	15,556	20,053			
Arising on acquisition of new subsidiaries	—	—	—	4,314	2,592	1,722			
Additions	4,115	2,773	1,342	2,747	2,654	93			
Disposals	(2,220)	(1,676)	(544)	(1,655)	(1,340)	(315)			
Transfers and adjustments	—	—	—	—	—	—			
At 31st March	42,910	20,559	22,351	41,015	19,462	21,553			

(c) The approximate amounts approved by the Directors in respect of capital expenditure (net of investment grants) not provided for in these accounts are as follows:

	Group		Boots Pure Drug Co. Ltd.	
	1970 £000	1969 £000	1970 £000	1969 £000
Contracts placed	6,370	4,422	1,491	607
Contracts not placed	1,140	1,115	718	73
	7,510	5,537	2,209	680



BOOTS PURE DRUG CO. LTD.

1970			1969		
Cost or Valuation £000	Depreci- ation £000	Net £000	Cost or Valuation £000	Depreci- ation £000	Net £000
21,319	3,808	17,511	21,117	3,366	17,751
—	—	—	—	—	—
842	451	391	248	445	(197)
(975)	(290)	(685)	(51)	(8)	(43)
(187)	(3)	(184)	5	5	—
<u>20,999</u>	<u>3,966</u>	<u>17,033</u>	<u>21,319</u>	<u>3,808</u>	<u>17,511</u>
10,712	2,912	7,800	11,610	2,902	8,708
—	—	—	—	—	—
5,146	265	4,881	5,339	219	5,120
5,141	789	4,352	4,370	687	3,683
<u>20,999</u>	<u>3,966</u>	<u>17,033</u>	<u>21,319</u>	<u>3,808</u>	<u>17,511</u>
20,072	3,678	16,394	20,050	3,444	16,606
98	14	84	439	105	334
829	274	555	830	259	571
<u>20,999</u>	<u>3,966</u>	<u>17,033</u>	<u>21,319</u>	<u>3,808</u>	<u>17,511</u>

BOOTS PURE DRUG CO. LTD.

1970			1969		
Cost £000	Depreci- ation £000	Net £000	Cost £000	Depreci- ation £000	Net £000
15,441	9,154	6,287	15,563	8,906	6,657
—	—	—	—	—	—
1,094	944	150	699	985	(286)
(810)	(712)	(98)	(811)	(736)	(75)
52	37	15	(10)	(1)	(9)
<u>15,777</u>	<u>9,423</u>	<u>6,354</u>	<u>15,441</u>	<u>9,154</u>	<u>6,287</u>

The amounts of the valuations of properties included in the Balance Sheet were:

	1970 £000	1969 £000
<b>GROUP</b>		
1958 Valuation	9,764	10,653
1959 Valuation	1,787	1,945
1965 Valuation	42,401	42,711
<b>BOOTS PURE DRUG CO. LTD.</b>		
1958 Valuation	9,741	10,629
1965 Valuation	5,048	5,241

**11. Subsidiary companies**

	<b>1970</b>	<b>1969</b>
	<b>£000</b>	<b>£000</b>
(a) Shares in Timothy Whites & Taylors Limited at book value of net assets taken over	15,268	15,268
Shares in other subsidiaries valued at par, less provision	10,706	10,675
	<u>25,974</u>	<u>25,943</u>
	<b>1970</b>	<b>1969</b>
	<b>£000</b>	<b>£000</b>
(b) Advances and current accounts:		
Advances to subsidiaries	10,305	9,688
Current accounts:		
Amounts due by subsidiaries	17,825	15,140
Amounts due to subsidiaries	(1)	(6)
	<u>28,129</u>	<u>24,822</u>
(c) The currency values of the assets and liabilities of the Overseas subsidiaries have been converted into sterling at the approximate rates of exchange ruling at 31st March, 1970.		
(d) The accounting periods of the Overseas subsidiaries have not been synchronised with that of Boots Pure Drug Company Limited as this would delay presentation of the Group's Annual Accounts.		
(e) A list of the principal subsidiaries is shown on page 25.		

**12. Unquoted investments**

The unquoted investments of the Group are valued by the Directors at £14,000.

**13. Stock-in-trade**

Stock-in-trade has been valued as in previous years, the basis being the cost to the Group less provision to reduce to net realisable value.

**14. Amounts due to bankers**

The overdrafts of certain Overseas subsidiaries amounting to £479,000 at 31st December, 1969 (1968, £607,000) were secured on the assets of those subsidiaries.

**15. Taxation**

No provision has been made for taxation liabilities which might arise on the distribution of profits retained by Overseas subsidiaries.

**16. Company status**

Boots Pure Drug Company Limited is not a close company.

## Principal Companies

<b>PARENT</b>	Boots Pure Drug Company Limited	Manufacturers and wholesale distributors of pharmaceuticals, drugs, fine chemicals and toilet preparations.
<b>SUBSIDIARIES</b> (wholly owned except as otherwise indicated)		
<b>INCORPORATED IN GREAT BRITAIN</b>		
	Boots The Chemists Ltd.	Retail chemists
	Boots Farm Sales Ltd.	Agricultural and veterinary suppliers
	Timothy Whites & Taylors Ltd.	Retail chemists and houseware
	Timothy Whites Wholesale Ltd.	Wholesale chemists and houseware
	Whites Property Co. Ltd.	Property holding
	Watts Brothers (Manchester) Ltd.	Wholesalers of hairdressers' requisites
	British Saccharin Sales Ltd. (51%)	Wholesalers of saccharin
<b>INCORPORATED OVERSEAS</b>		
New Zealand	Boots The Chemists (New Zealand) Ltd.	Retail chemists
South Africa	Boots Pure Drug Co. (South Africa) (Pty.) Ltd.	Manufacturing and wholesale chemists
India	Boots Pure Drug Co. (India) Ltd. (60%)	Manufacturing and wholesale chemists
Pakistan	Boots Pure Drug Co. (Pakistan) Ltd. (56%)	Manufacturing and wholesale chemists
Australia	Boots Pure Drug Co. (Australia) Pty. Ltd. *Sugarine Pty. Ltd.	Manufacturing and wholesale chemists Wholesalers of sweetening agents
Nigeria	Boots Pure Drug Co. (Nigeria) Ltd.	Wholesale chemists
Singapore	Boots Pure Drug Co. (Far East) Ltd.	Wholesale chemists
Italy	Boots-Formenti S.p.A. (55%)	Wholesale chemists

\*A wholly owned subsidiary of Boots Pure Drug Co. (Australia) Pty. Ltd.

## The Ten Year Record

These tables express in figures the progress made in the last ten years

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<b>Sales (£000)</b>										
Sales: Home	95,443	102,032	106,017	113,555	123,550	136,060	144,786	155,187	203,727	214,381
Export	2,059	1,930	2,049	2,525	2,686	2,840	2,709	2,852	3,803	4,471
Sales of the Home group	97,502	103,962	108,066	116,080	126,236	138,900	147,495	158,039	207,530	218,852
Sales by Overseas subsidiaries	2,705	3,173	3,547	3,748	4,261	4,426	3,869*	4,183	5,140	5,597
Less Sales by Home group to Overseas subsidiaries	(517)	(511)	(496)	(524)	(521)	(483)	(477)	(577)	(500)	(566)
Net World Sales	99,690	106,624	111,117	119,304	129,976	142,843	150,887	161,645	212,170	223,883
*Sales by Overseas subsidiaries were reduced in 1967 by £598,000 due to the devaluation of the Indian rupee.										
<b>Profit and Cash Flow (£000)</b>										
Profit before taxation	8,826	9,271	9,645	11,597	13,932	15,234	14,877	16,813	19,126	20,189
Taxation	4,563	4,931	5,044	6,151	7,494	5,689	6,034	7,596	9,148	9,671
Profit after taxation	4,263	4,340	4,601	5,446	6,438	9,545	8,843	9,217	9,978	10,518
Profit attributable to earlier years					420					
Less:										
Minority interests	—	—	—	—	—	1	2	35	36	35
Preference dividends (gross)	97	97	97	97	97	—	—	—	—	—
Ordinary dividends (gross)	3,072	3,072	3,328	3,840	4,608	5,376	5,376	5,564	6,678	7,569
Income Tax retained from dividends paid	(1,228)	(1,228)	(1,328)	(1,526)	(1,900)	(1,747)	—	—	—	—
Profit retained	2,322	2,399	2,504	3,035	4,053	5,915	3,465	3,618	3,264	2,914
Depreciation	1,760	1,839	1,994	2,240	2,533	2,923	3,267	3,636	4,225	4,379
Cash flow	4,082	4,238	4,498	5,275	6,586	8,838	6,732	7,254	7,489	7,293
<b>Other Statistics</b>										
†Profit as % of capital employed	19.7%	19.6%	19.3%	21.8%	20.6%	20.5%	19.0%	20.3%	18.4%	19.2%
Ordinary dividends % allowing for Scrip Issues	8%	8%	8.7%	10%	12%	14%	14%	14.49%	14.999%	17.0%
Expenditure on fixed assets (£000)	3,410	4,373	5,110	4,842	7,484	8,376	8,122	6,878	6,225	8,292
Amount of Profit Earning Bonus (£000)	820	861	896	1,077	1,294	1,415	1,379	1,555	1,770	1,868
Number of staff in United Kingdom (full-time equivalents)	39,606	40,181	39,936	39,473	39,401	39,824	39,247	38,615	45,617	42,264
Number of branches	1,305	1,298	1,290	1,284	1,270	1,268	1,266	1,256	1,817	1,695

†In arriving at profits as a percentage of capital employed, loan stock interest has not been deducted. Furthermore, Corporation Tax and previously Income Tax, payable on the profits of each year is classified as a current liability and thus not part of capital employed.

	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970
<b>Capital Employed (£000)</b>										
Ordinary Shareholders' interests:										
Share capital	25,600	25,600	25,600	25,600	38,400	38,400	38,400	38,400	44,521	44,521
Share premium	—	—	—	—	—	—	—	—	3,375	3,292
Reserves	14,623	17,194	19,857	22,644	25,401	31,766	35,164	39,047	41,983	45,675
	40,223	42,794	45,457	48,244	63,801	70,166	73,564	77,447	89,879	93,488
Preference shares	1,400	1,400	1,400	1,400	—	—	—	—	—	—
Loan capital	2,066	2,066	2,066	2,066	2,066	2,066	2,066	2,066	12,634	12,541
Minority interests in subsidiaries	—	—	—	—	5	233	208	334	393	408
Provisions	1,020	1,020	1,020	1,020	927	927	927	927	1,900	72
Deferred taxation	680	693	708	1,133	1,578	1,659	1,985	2,596	3,125	3,409
	45,389	47,973	50,651	53,863	68,377	75,051	78,750	83,370	107,931	109,918
<b>Employment of Capital (£000)</b>										
Fixed assets	34,971	37,227	40,014	42,354	58,662	63,410	67,535	70,422	89,769	91,920
Investments	15	14	9	11	11	10	8	8	8	7
Difference on consolidation	115	13	22	71	37	87	47	80	46	225
Net current assets	10,288	10,719	10,606	11,427	9,667	11,544	11,160	12,860	18,108	17,766
	45,389	47,973	50,651	53,863	68,377	75,051	78,750	83,370	107,931	109,918

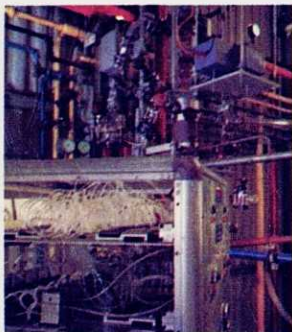
The figures reflect the results of the property revaluation shown in Note 10 and the redemption of the Preference shares at 31st March, 1965.

## Directors' Shareholdings and Transactions

The names of the Directors at 31st March, 1970, and details of the interests of each Director and his family in the Share and Loan Capital of the Company at the date of the Balance Sheet are shown below. In accordance with the requirements of the Companies Act 1967, holdings at 1st April, 1969, or at the date of appointment within the year are shown in brackets where these differ.

	<i>Number of Ordinary Shares</i>		<i>Amount of Loan Stock all Beneficially held</i>
	<i>Beneficially held</i>	<i>Otherwise held</i>	
			£
W. R. NORMAN (Chairman)	41,955	174 (6,066)	—
G. I. HOBDA Y, Ph.D., F.R.I.C. (Managing Director)	8,500 (6,500)	—	101
D. E. M. APPLEBY	1,000 (—)	—	—
R. C. M. DICKSON, M.P.S.	2,654	—	107
K. H. HARPER, F.P.S.	2,100	—	91
B. JEFFERIES	1,650 (1,150)	—	177
SIR JAMES PITMAN, K.B.E.	10,169	—	—
THE RT. HON. LORD REDMAYNE, P.C., D.S.O.	2,000 (—)	—	—
A. D. SPENCER	1,000 (250)	—	—
M. J. VEREY	3,650	10,300	—
K. D. WILLIAMSON	2,811 (2,211)	—	—





BOOTS PURE DRUG COMPANY LIMITED